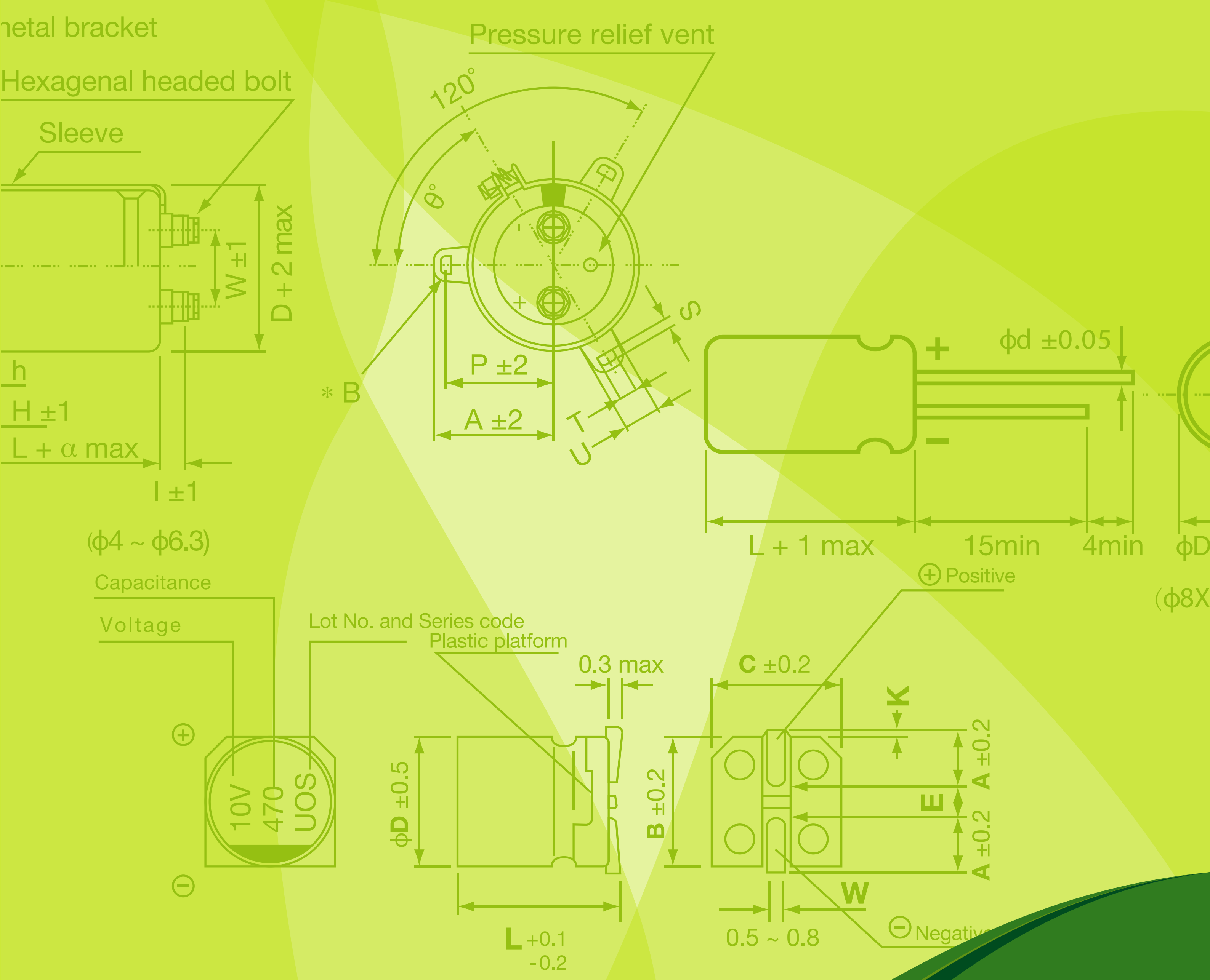
萬裕國際集團有限公司

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(股份代號 Stock Code: 0894)



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SAMXON

Annual Report 2007 年報

COMPANY PROFILE

The Man Yue Group of Companies (the "Group") was founded in 1979 and listed on the Hong Kong Stock Exchange in 1997. The Group's core business is the manufacture and sale of aluminum electrolytic capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps").

The Group offers a full range of E-Cap products, ranging from miniature to large can E-Caps, which satisfy the needs of its global customers, consisting mainly of the world's leading electrical and electronic brands. In 2006, the Group launched an innovative type of E-Caps known as Polymer Caps. As the world's fifth largest E-Caps manufacturer, the Group owns the renowned SAMXON and X-CON brands, both of which are well-known for their superior quality, strong R&D capabilities, and established global network. The Group also provide Electronic Manufacturing Services ("EMS") to some of the world's most respected E-Caps companies. All of the Group's products comply with RoHS and environmental protection regulations specific to different global markets.

The Group is headquartered in Hong Kong and operates state-of-the-art E-Caps manufacturing facilities in Dongguan and Wuxi, PRC, with a total production capacity of over 890 million pieces per month. The Group further owns two aluminum foil factories located in Qingyuan and Urumqi, PRC, which produces aluminum foil for its own consumption. The Group has distribution offices located in Hong Kong, Mainland China, Taiwan, Malaysia and the United States complemented by distribution channels that span across the globe.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Ho Sing *(Chairman)*
Ko Pak On
Chan Yu Ching, Eugene
Tso Yan Wing, Alan

Independent Non-executive Directors

Li Sau Hung, Eddy
Lo Kwok Kwei, David
Mar, Selwyn

AUDIT COMMITTEE

Mar, Selwyn *(Chairman)*
Li Sau Hung, Eddy
Lo Kwok Kwei, David

REMUNERATION COMMITTEE

Mar, Selwyn *(Chairman)*
Chan Ho Sing
Li Sau Hung, Eddy

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tso Yan Wing, Alan

AUDITORS

Ernst & Young, Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited
CITIC Ka Wah Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

16/F., Yiko Industrial Building
10 Ka Yip Street, Chai Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

CORPORATE WEBSITE

http://www.manyue.com

INVESTOR RELATIONS CONTACT

E-mail: ir@manyue.com

STOCK CODE

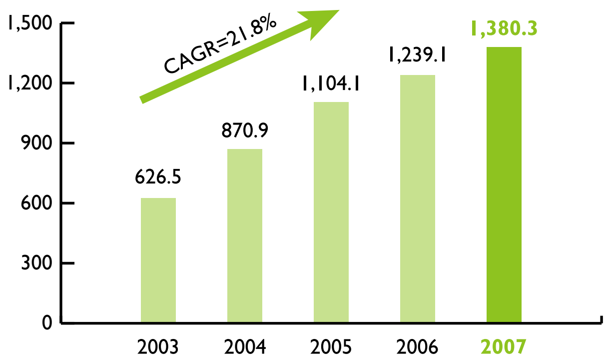
0894

FINANCIAL HIGHLIGHTS

For the years ended 31 December	2007	2006	% changes increase/ (decrease)
Operating Results	**HK$'000**	HK$'000	%
Revenue	**1,380,334**	1,239,119	11.4%
Gross profit	**289,588**	313,823	(7.7%)
EBITDA	**224,151**	203,981	9.9%
Net profit	**135,765**	121,657	11.6%
Per Share Data	**HK cents**	HK cents	%
Earnings per share-basic	**28.88**	28.48	1.4%
Total dividend per share (proposed)	**8.5**	5.5	54.5%
Net asset per share	**176.01**	135.57	29.8%
Financial Position	**HK$'000**	HK$'000	%
Total assets	**1,879,024**	1,236,164	52.0%
Net assets	**840,671**	606,303	38.7%
Financial Ratios	**%**	%	%
Gross profit to Revenue	**21.0%**	25.3%	(17.0%)
Net profit to Revenue	**9.8%**	9.8%	—
Return on Equity	**16.1%**	20.1%	(19.9%)
Net debt to Equity	**31.4%**	46.2%	(32.0%)

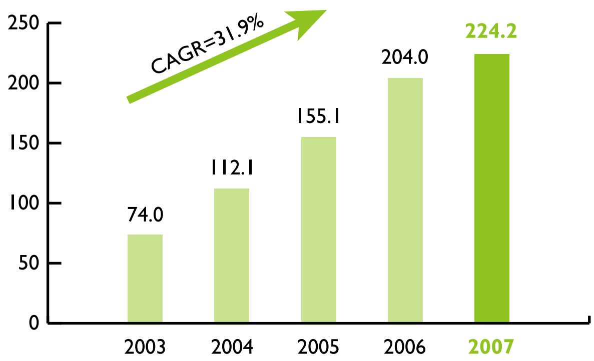
REVENUE

For the year ended 31 December
HK$' million



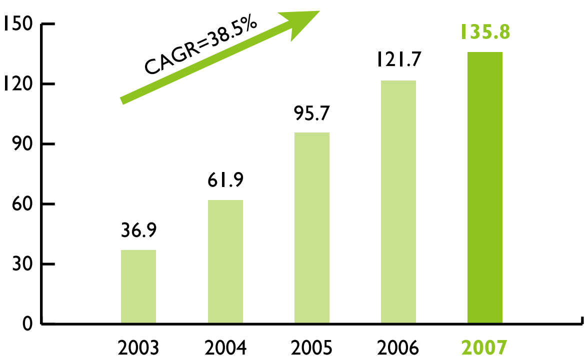
EBITDA

For the year ended 31 December
HK$' million



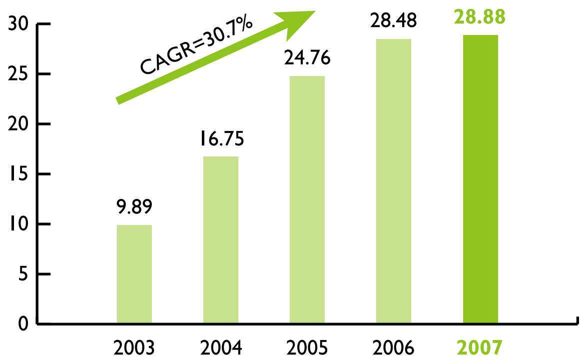
NET PROFIT

For the year ended 31 December
HK$' million



EARNINGS PER SHARE — BASIC

For the year ended 31 December
HK cents



Note: CAGR = cumulative annual growth rate from FY2003 to FY2007

CHAIRMAN'S STATEMENT

Mr. Chan Ho Sing,
Chairman of the Group

INTRODUCTION

I am pleased to report that the Group has achieved several important targets in 2007. Despite the review period being regarded as a challenging one for most companies in the electronics field, the Group successfully raised its revenue by 11.4% to HK$1,380,334,000. In fact, we have again exceeded our revenue and net profits records for the sixth consecutive year. In early 2007, Paumanok Publications, Inc. of the United States confirmed that the Group already ranked as the world's fifth largest E-Caps manufacturer, sitting just below four major Japanese companies. On the operations front, two new production facilities were opened in 2007, namely, the state-of-the-art E-Cap production facility in Changan, Dongguan, and a brand new aluminum foil plant in Urumqi, Xinjiang. In terms of production, our capacity for Polymer Caps manufacturing increased significantly in 2007. Another innovative new product known as the Electric Double-layered Capacitors (or "EDLCs"), which are mainly used as energy savings and storage devices, have reached their final stage of development. At the moment, there are only a few companies in the world that can produce EDLC products, and we will be one of them in 2008. Also included in the R&D pipeline is another new type of polymer capacitor which are mainly used in high-technology products such as computer motherboards and mobile phones. We are expecting to launch this new product series in late 2008 or early 2009. Still more innovative products will be introduced in the coming two years, allowing us to capture a greater share of the higher margin technology market, which includes the computing and environmental products segments.

In November, the Group successfully raised a four-year syndicated term loan facility for HK$480 million. Offering better terms and conditions, proceeds from this new loan have been used to repay previous syndicated loans as well as to support projects that will go towards the Group's future expansion.

Having concluded a challenging yet successful 2007, we have utmost confidence in the Group's ability to deliver still better results in 2008, and the years beyond.

FINANCIAL RESULTS AND APPROPRIATIONS

Group revenue reached HK$1,380,334,000 in 2007, representing a year-on-year increase of 11.4%. Net profit also improved by 11.6% to HK$135,765,000. In view of the satisfactory performance achieved, and in appreciation for the support provided by the Company's shareholders, the Board of Directors recommend the payment of a final dividend of HK5.5 cents per share (2006: HK3.5 cents per share). Including the interim dividend of HK3.0 cents per share (2006: HK2.0 cents per share) already declared and paid, the total dividend for the year will amount to HK8.5 cents per share (2006: HK5.5 cents per share).

MARKET AND BUSINESS OVERVIEW

According to reports published by Paumanok Publications, Inc. of the United States, the global E-Cap market size was estimated to be approximately US$4,150,000,000 in 2006. Our Group occupied approximately 4% of this market. Paumanok also confirmed that since 2006 the Group was the fifth largest E-Cap manufacturer in the world, ranking just behind four major Japanese-based E-Cap manufacturers, namely, Nippon Chemi-con, Nichicon, Rubycon and Panasonic. Helping to achieve this prominent status have been the Group's Samxon and X-Con branded products which were able to increase sales in recent years. Apart from receiving new orders from existing global customers, the Group successfully attracted several new customers as well. During the year, the Group obtained direct vendor approval from several US-based global technology leaders and European-based companies in the energy savings and environmental protection products segments. The Group's Electronic Manufacturing Services ("EMS") business also gained new customers that are based in Japan, Europe, Taiwan and the US.

Following the successful launch of the Polymer Caps in 2006, the Group planned to expand the production capacity for its new and high-technology products in 2007. Thanks to close cooperative ties with the Research Institute of Tsinghua University in Shenzhen, the Group has achieved several other breakthroughs. In 2007, the development of another technological advancement known as the Electric Double-layered Capacitors ("EDLC") was completed. EDLCs are mainly used as energy savings and storage devices and will, in certain instances, replace the function of batteries in particular products. Up to the present moment, only a few global E-Cap makers have the capability of producing EDLCs. This product will be in high demand as rapid development continues on energy savings and environmental protection products. The Group will be officially launching its own EDLC product series in 2008. Besides EDLCs, we are developing another important new type of polymer capacitor which is mainly used in high-technology products such as computer motherboard, mobile phones and other advance electronic products. Currently, only a selected number of large E-Cap makers possess the know-how for making such capacitors. The Group is confident that the development of this product will be completed by the end of 2008 or early 2009.

The relocation of the Group's Dongguan factory since April 2007 has gradually accelerated the Group's monthly production capacity to approximately 890 million pieces per month. This will greatly increase the Group's production volume for 2008. However, the supply of high quality aluminum foils, the most critical raw material component for E-Caps, continued to be tight in 2007. To ease the supply of aluminum foils in the coming years, the Group's second aluminum foil production plant was opened in Urumqi, Xinjiang in December 2007. In conjunction with the Group's Qingyuan production plant, the facilities will deliver up to 50% of formed aluminum foil for internal consumption. At present, the Group is probably the only E-Cap manufacturer in China that owns complete aluminum foil processing capabilities. Moreover, the standard of quality is comparable to top Japanese aluminum foil products.

Environmental protection continued to be a major focus of the Group. Accordingly, all of our manufacturing plants comply fully with relevant environmental protection regulations. Likewise, all products meet the European Community's RoHS requirements along with equally high standards applied in different world markets. The Group is probably the only E-Cap manufacturer in China that owns sophisticated RoHS compliance equipment and observant to relevant procedures. The RoHS laboratories found within the Group are fully equipped with XRF and ICP equipment and are comparable to those used by certification institutes. Not only do we possess the equipment and work procedures to ensure the compliance, we also educate our vendors and business partners to establish similar or higher standards.

OUTLOOK

Despite expectations of a slowdown in the American economy, we nevertheless expect to achieve reasonably positive performance in 2008. In particular, we anticipate more rapid sales and profit growth due to expanded production capacity from our new Dongguan plant, which will be more fully reflected in the upcoming fiscal year. Moreover, increased production volume of new and high-technology products such as Polymer Caps, which offers higher selling price and margin, will drive up our top and bottom lines. As well, more sales orders are expected from existing and new customers in the new year. The overall sales rise is based on historical trends which indicate the Group usually receives more orders during periods of economic slow down due to heightened cost consciousness of our customers. Also, we expect to enhance revenue from our EMS business by capturing new customers from Japan, USA, Europe and Taiwan. This will be achieved, owing in part to rising production costs, which has prompted certain E-Cap manufacturers to look at outsourcing their production to our Group. A further source of optimism can be drawn from the fact that since the last quarter of 2007, the Group has been negotiating for higher product prices. The product price increase has become effective in early 2008. In addition, the Group is targeting to raise its sales in Mainland China for enhancing Renminbi revenue. With the appreciation of the Renminbi, we expect a rise in Renminbi sales will translate into greater Hong Kong Dollar earnings (our reporting currency).

In respect of production, capacity has already been expanding since the new Dongguan production facility commenced operation. Machines have been added to accelerate production and raise the level of automation. More production lines for new and high-technology products such as Polymer Caps were also added to speed up manufacturing of these products. By the end of 2008, the Group will achieve a potential production capacity of over 1 billion pieces per month.

With the opening of the Urumqi aluminum foil factory and ongoing expansion of the Qingyuan aluminum foil plant, we are expecting to satisfy 50% of our own need for this material in 2008. Accordingly, this upstream vertical integration will allow the Group to continue enhancing its profit margin.

The operating environment in the manufacturing sector will continue to be challenging in 2008. With the rapid increase in raw material and labour costs, manufacturing overhead, and appreciation of the Renminbi against the Hong Kong and US currencies, our gross margin will face added challenges. However, the Group has already executed long-term strategies to tackle such difficulties. Firstly, the Group has vigorously increased the selling price of its products. We have also expanded production of new and high-technology products such as Polymer Caps which offer higher selling price and margin. Moreover, the production of high quality aluminum foils will increase thereby improving our cost efficiency. Further, the Group will continue to launch innovative products that allow us to capitalise on premium selling prices and greater margin. Regarding the appreciation of the Renminbi against the Hong Kong Dollar and US Dollar, we will expand Renminbi sales so as to better hedge its appreciation against the Hong Kong currency. In addition, we will start to look for new business opportunities in related industries so as to bolster sales growth and raise profits in the coming years.

APPRECIATIONS

I would like to take this opportunity to express my sincere thanks to fellow directors, senior management team and staff for their dedication and commitment to expanding the Group's business. I would also like to express my sincere gratitude to the Group's shareholders for their continuing support.

Chan Ho Sing
Chairman
Hong Kong, 18 April 2008

FINANCIAL RESULTS

The financial year ended 31 December 2007 was an exciting and challenging period for the Group. Over the past 12 months the Group's revenue grew to HK$1,380,334,000, representing an increase of 11.4% from 2006. Gross margin, however, suffered a temporary decline to 21.0% mainly because of an one-off financial impact caused by the relocation of our Dongguan factory as well as the rapid increase in cost of raw materials, labor, and manufacturing overhead expenditures. Appreciation of the Renminbi against the Hong Kong Dollar also impacted on the Group's results as most of our sales revenue is generated in US Dollars or Hong Kong Dollars whereas a significant proportion of costs are incurred in Renminbi.

In early 2007, we successfully relocated our largest manufacturing facility in Dongguan to a new, state-of-the-art, centralised production facility, while remaining in the same district in the town of Changan. Immediately after the move, over 200 customers visited our new factory to recertify our status as their "approved vendor". This recertification procedure is a common practice in the aluminum electrolytic capacitors ("E-Caps") industry and is conducted whenever a change in production location occurs. Owing to the abovementioned reason, production capacity in Dongguan was unavoidably interrupted – spanning a period from March to June. Gross margin suffered a temporary decline mainly because of: (1) expenses incurred from the factory's relocation; (2) scrapping of fixed asset items such as leasehold improvements, furniture and fixtures found at the old factory; (3) scrapping of raw materials caused by the tuning of machinery after the move; and (4) loss of production capacity from the months of April to June due to tuning of machinery and subsequent delay in handling sales orders pending completion of recertification procedures. Moreover, in the second half of the year, there was a rapid rise in cost of raw materials, labor and manufacturing overhead expenditures.

During the year, the Group's commercial properties located in Sheungwan were re-designated as investment properties. The Group intends to sell these properties and use the proceeds from disposal to improve its gearing ratio and fund some of its continuing expansion plans. The Company will comply with the applicable disclosure requirements under the Listing Rules when the intended disposal is materialised. In addition, the construction of an investment property of a jointly-controlled entity in China was completed and put into commercial use in 2007. Accordingly, the temporary decline in gross margin was compensated by the appreciation of these investment properties. Profit attributable to equity holders of the Company amounted to HK$135,765,000, representing an increase of 11.6% from the same period of last year. Net margin stood at 9.84% against 9.82% in 2006.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK$654,576,000 (2006: HK$370,850,000), of which HK$194,741,000 was repayable within one year, HK$216,692,000 was repayable within one and two years and HK$243,143,000 was repayable between three and five years. After deducting cash and cash equivalents of HK$390,683,000 (2006: HK$90,636,000), the Group's net borrowing amounted to HK$263,893,000 (2006: HK$280,214,000). Shareholders' equity as at 31 December 2007 stood at HK$840,671,000 (2006: HK$606,303,000). Accordingly, the Group's net borrowing to shareholders' equity ratio was 31.4% (2006: 46.2%).

Net cash inflow from operating activities during the year amounted to HK$149,378,000, compared with HK$128,611,000 for 2006. This figure represents profit before tax of HK$142,933,000, adding back adjustments for non-cash items such as depreciation and amortisation of HK$22,078,000 and deducting net increase in working capital of HK$1,608,000 and other adjustments of HK$14,025,000. The net increase in working capital is mainly caused by the Group's strategy to temporarily increase its raw material buffer stocks so that production orders in 2008 will not be interrupted due to tight supply of

raw materials. The Group's net cash outflow for investing activities for the year was HK$182,113,000, in comparison with HK$191,050,000 for 2006. Such investing activities were mainly represented by the acquisition of property, plant, equipment, leasehold land and buildings during the year. The investing activities were partly financed by the net cash inflow from operations and partly by long-term bank loan facilities.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$224,151,000 for the year as compared with HK$203,981,000 in 2006. The Group is expected to generate adequate cash from its operations to repay its liabilities as and when they fall due.

The Group's financial statements are denominated in Hong Kong Dollars. The Group conducts its business transactions mainly in Hong Kong Dollars, Renminbi, United States Dollars and Japanese Yen. As the Hong Kong Dollar remains pegged to the United States Dollar, there is no material exchange risk in this respect. The Group receives Renminbi from its customers and at the same time incurs Renminbi expenditures. As the receipts received in Renminbi cannot fully offset expenses in Renminbi, the Group is therefore subject to certain foreign exchange risks caused by the currency's appreciation. As of 2007, the Group has been increasing its sales in Mainland China so as to increase the value of revenue denominated in Renminbi. The Group monitors its foreign exchange exposure in Japanese Yen by entering into cash flow hedging forward contracts. Most of the Group's long-term bank loan facilities are denominated in Hong Kong Dollars and carry interests at floating rates. In order to mitigate the risks associated with fluctuation in interest rates, the Group entered into interest rate swap contracts. Credit risk was hedged mainly through credit insurance policies.

EMPLOYMENT AND REMUNERATION POLICY

At 31 December 2007, the Group employed 88 employees in Hong Kong (31 December 2006: 93) and employed a total work force of approximately 4,901 (31 December 2006: 5,769) inclusive of its staff in China and overseas offices. Total headcount decreased during the year as a result of Group's strategy to maximise the degree of machine automation in the production process. All the employment contracts comply with the relevant labour law or regulations in the areas where we operate. Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

Board of Directors

Front (From left to right): **Chan Ho Sing and Mar, Selwyn.**

Back (From left to right): **Li Sau Hung, Eddy; Chan Yu Ching, Eugene; Ko Pak On; Lo Kwok Kwei, David; and Tso Yan Wing, Alan.**

EXECUTIVE DIRECTORS

Chan Ho Sing, aged 58, is the founder and Chairman of the Group. He is primarily responsible for steering the Group forward and providing overall leadership in the development of the Group's strategies and policies. He also acts as a member of the Company's Remuneration Committee. Mr. Chan is a well known industrialist in Hong Kong and has over thirty-one years of experience in the electronic component's field. He is also a director of the China-Hong Kong Economic and Trade Association Ltd. He is the father of Mr. Chan Yu Ching, Eugene.

Ko Pak On, aged 61, is an Executive Director of the Group. Mr. Ko joined the Group in 1984 and has been appointed as director of several major operating subsidiaries of the Group. He has over thirty-one years of experience in the electronic components field. He is mainly responsible for overseeing the Group's manufacturing operations in Mainland China.

Chan Yu Ching, Eugene, aged 32, was appointed as an Executive Director of the Group on 18 December 2007. He joined the Group in 1998 and is mainly responsible for the Group's overall policy and development. He was also appointed as the director of several major operating subsidiaries of the Group. He holds a Bachelor degree in Applied Science (majored in Electronic Engineering) from the University of British Columbia in Canada. He is the son of Mr. Chan Ho Sing, the Chairman and a substantial shareholder of the Company, and Ms. Kee Chor Lin, the spouse of Mr. Chan Ho Sing and a substantial shareholder of the Company.

Tso Yan Wing, Alan, aged 49, was appointed as an Executive Director of the Group on 18 December 2007. He joined the Group in December 2004 as Chief Financial Officer and Company Secretary of the Group. Mr. Tso is mainly responsible for overseeing the Group's finance, regulatory compliance and investor relationship functions. Prior to joining the Group, he had held senior management positions, including Chief Financial Officer, Chief Operating Officer, Director of Corporate Communications and Senior Audit Manager of various well known international companies and one of the world's largest international accounting practises. He has over twenty six years of professional accountancy, financial and executive management experiences. He holds a Master degree in Business Administration from the University of Ottawa and is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Certified General Accountants in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Sau Hung, Eddy, aged 53, has over twenty-one years of experience in the manufacturing industry. He is a member of the Chinese People's Political Consultative Committee and the president of Hong Kong Economic & Trade Association Ltd. He holds a Master degree in Business Administration and a Ph.D. degree in Economics. Dr. Li was awarded The Ten Outstanding Young Persons in 1991 and the Young Industrialists of Hong Kong in 1993. He is currently an Independent Non-Executive Director of Jackin International Holdings Limited, Oriental Watch Holdings Limited and Midas International Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. Dr. Li is also members of the Company's Audit Committee and Remuneration Committee.

Lo Kwok Kwei, David, aged 49, holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. Mr. Lo has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over nineteen years and is a partner in a law firm in Hong Kong. Mr. Lo is also a member of the Company's Audit Committee.

Mar, Selwyn, aged 72, was appointed as an Independent Non-Executive Director of the Company in September 2004. Mr. Mar graduated from the London School of Economics, University of London. He is a fellow member of the Institute of Chartered Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has been active in commercial and industrial undertakings over the past thirty years. At present, he is a partner of Nexia Charles Mar Fan & Co., and Independent Non-Executive Director of two Hong Kong listed companies, China Everbright International Limited and Minmetals Land Limited. He also acts as Chairman of the Audit Committee of Minmetals Land Limited. In respect of public services, he was the President of the Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants") in 1991, a member of the Appeals Panel of the Securities and Futures Commission, and a member of Board of Governors of the Chinese International School. He is an Honorary Fellow of the Lingnan University. He also acts as Chairman of the Company's Audit Committee and Remuneration Committee.

SENIOR MANAGEMENT

Wong Ching Ming, Stanley, aged 50, is the Group's Director of Business Development. Mr. Wong joined the Group in 2003 with the responsibility to develop the Group's global sales and marketing strategies and operations. Mr. Wong has over twenty years of experience in the sales and marketing field and has held senior management positions in an internationally known information technology company. Mr. Wong holds an MSc degree and an BSc (Aeronautical Engineering) degree from the University of London's Imperial College of Science and Technology in the United Kingdom.

Yeung Yuk Lun, Alan, aged 37, is the Financial Controller of the Group. Mr. Yeung joined the Group in July 2007. He has extensive experience in auditing, financial and treasury management, information technology as well as business development. Prior to joining the Group, Mr. Yeung has held senior management positions in different listed companies in Hong Kong. He holds a Bachelor degree in Business Administration (Professional Accountancy) and a Master degree in Business Administration from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.

Huang Jian, aged 35, is an Operation Manager of the Group's Dongguan manufacturing facility. Mr. Huang joined the Group in 1997. He has over ten years of experience in operation management. He graduated from the Chongqing Normal University.

Pan Su Qing, aged 46, is the Vice Chief Engineer of the Group's Dongguan manufacturing facility. Ms. Pan joined the Group in 1996. She is responsible for product development, product design, technical support and cost management of products of the Group. Prior to joining the Group, she worked in the Research & Development Department of a well known state-owned National 4321 Factory and engaged in the development of new aluminum electrolytic capacitor products for commercial customers and military uses. She graduated from the Nan Chang Radio Technological School majored in electronics component and material in 1983.

Li Shen Guang, aged 42, is an Quality Assurance Manager of the Group's Dongguan manufacturing facility. Mr. Li joined the Group in 2003. He has over twenty years of experience in the management of electronic components. Within this period he has over fifteen years of experience in quality management, technology, research & development of aluminum electrolytic capacitors. He holds a Bachelor degree in the Electronic Engineering from the Tianjin University.

Yuan Yu Chuan, Sterling, aged 45, is the Operation Manager of the Group's Wuxi manufacturing facility. Mr. Yuan joined the Group in July 2007. He has twenty years of experience in engineering, production and quality management. He holds a Master degree in Electronics from the Huazhong University of Science and Technology, a certificate in Quality Management from Auckland University of Technology, and a diploma in Operations in Unitec University of New Zealand.

Peng Shu Hong, aged 33, is the Operation Manager of the Group's Qingyuan aluminum foil manufacturing facility. Mr. Peng joined the Group in June 1997 with the responsibility to manage the production, planning and logistics operations. He has about ten years of experience in operation management and logistics field. He graduated from the Chongqing Normal University.

Lee Chi Keung, aged 46, is the General Manager of the Group's Xinjiang aluminum foil manufacturing facility. Mr. Lee joined the Group in April 2005. He had over twenty years of experience in the production of aluminum electrolytic capacitor and operation management.

The board (the "Board") of directors (the "Directors") and management are committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Group emphasise on an effective Board for leadership and control, sound business ethics and integrity in all business activities, transparency and accountability to shareholders.

The Group has adopted the Code Provisions as set out in the Code on Corporate Governance Practices ("CGP") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations:

(i) Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer as Mr. Chan Ho Sing currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

(ii) Two Executive Directors namely Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan and all the Independent Non-executive Directors ("INEDs") of the Company are not appointed for specific terms but are subject to retirement by rotation under Bye-law 87 of the Company's Bye-laws.

THE BOARD

The Board is composed of the Chairman, three Executive Directors and three INEDs, whose biographical details are set out in the "Directors' and Senior Management's Biographies" section on pages 10 to 12. Two INEDs possess appropriate professional qualifications as required by the Listing Rules.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's long-term and short-term investments, business strategies and annual budgets, evaluating the performance of the Group, and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed and approved by the Board before execution. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Board has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and adequate and reliable information are given to the Board in a timely manner.

The Board is responsible for the development of corporate strategies, the monitor of the management of the Group, the evaluation of the performance of the Group quarterly. The Board is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders value. Mr. Chan Ho Sing currently holds both positions of Chairman and Chief Executive Officer.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

At each annual general meeting one-third of the Directors for the time being (round up if their number is not a multiple of three), shall retire from office by rotation in accordance with the Company's Bye-laws.

The Company Secretary shall convene the Board meetings on the request of any one Director and 14 days' notice of Board meetings will be given to all Directors. The Board papers are tabled not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and Qualified Account shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary shall prepare the minutes of each board meeting and circulate the draft minutes for the Board's comments. The Board will approve the final versions of minutes on the next Board meeting.

In the year 2007, four regular Board meetings were scheduled in advance to give all Directors an opportunity to attend and the Board meetings have been scheduled at approximately quarterly intervals. One of the Board meetings had been convened by the Chairman. The Directors had attended the meetings either in persons or through means of a conference telephone or other communications equipment in accordance with Bye-law 116(2) of the Company's Bye-laws.

AUDIT COMMITTEE

The current members of the Audit Committee include Mr. Mar, Selwyn, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David. Mr. Mar is Chairman of the Audit Committee.

All members of the Audit Committee are INEDs. Two members have appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company.

The Audit Committee held four meetings during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate.

The major duties of the Company's Audit Committee are as follows:

(a) to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
(b) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
(c) to review the half-year and annual financial statements before submission to the Board;
(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;
(e) to review the external auditor's management letter and management's response;
(f) to review the company's statement on internal control systems prior to endorsement by the Board;
(g) to consider the major findings of internal investigations and management's response; and
(h) to consider other topics, as defined by the Board.

During this year, the Audit Committee had performed the following works:

(a) reviewed the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007;
(b) reviewed the findings and recommendations of the internal audit on the operations and performance the Group;
(c) reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory compliance;
(d) reviewed the effectiveness of internal control system;
(e) reviewed the external auditor's management letter and management's response; and
(f) reviewed and recommended for approval by the Board the 2007 audit scope and auditors' remuneration.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the remuneration paid/payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	1,800
Non-audit services — Taxation	223
Non-audit services — Interim review	380
	2,403

REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the remuneration structure of the Executive Directors and senior management. Its current members comprise Mr. Mar, Selwyn, Mr. Chan Ho Sing and Dr. Li Sau Hung, Eddy. Mr. Mar is Chairman of Remuneration Committee.

The main responsibilities of the Remuneration Committee are as follows:

(a) to decide, with consultation with the Chairman of the Board, where to position the Company relative to others in terms of remuneration level and board composition;
(b) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments;
(c) to make recommendations to the Board on the remuneration of non-executive directors;
(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
(f) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct;
(g) to prepare appropriate disclosure concerning the Remuneration Committee to be included in the CGR in the Company's annual report; and
(h) to ensure that the Committee's terms of reference are made available to shareholders and other interested parties.

During the year, the Remuneration Committee approved the Directors' remuneration of Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan by passing written resolutions on 18 December 2007.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee but will consider setting up one at an appropriate time. During the year, Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan were appointed as Executive Directors. Their appointments are subject to the concurrence of the Board members whose deliberations are based on the following criteria:

- Integrity
- Independent mindedness
- Possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board
- Able to commit time and effort to carry out duties and responsibilities effectively
- A good track record of experience at a senior level in corporations/organisations
- Financially literate

ATTENDANCE OF INDIVIDUAL DIRECTORS

The attendance of individual Directors at the Board meetings and the Audit Committee meetings is set out in the table below.

	Date of Meetings							
	Board				Audit Committee			
Name of director	18/4	6/7	18/9	18/12	13/4	6/7	13/9	18/12
Mr. Chan Ho Sing	●	●	●	●	N/A	N/A	N/A	N/A
Mr. Ko Pak On[1]	●	●	●	○	N/A	N/A	N/A	N/A
Mr. Chan Yu Ching, Eugene[2]	N/A	N/A	N/A	●	N/A	N/A	N/A	N/A
Mr. Tso Yan Wing, Alan[3]	●	●	●	●	●	●	●	●
Dr. Li Sau Hung, Eddy	●	●	●	●	●	●	●	●
Mr. Lo Kwok Kwei, David	●	●	●	●	●	●	●	●
Mr. Mar, Selwyn	●	●	●	●	●	●	●	●

1. Mr. Ko had business trip on 18 December 2007.
2. Mr. Chan was in attendance on 18 December 2007 (date of appointment).
3. Mr. Tso was appointed as Executive Director on 18 December 2007 and he attended all meetings as Company Secretary.

(● attended/○ absent)

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the code of conducts regarding directors' securities transactions as set out in the Appendix 10 to the Listing Rules (the "Model Code"). Upon specific enquiry by the Company, all Directors have fully confirmed that they fully complied with the Model Code throughout the year.

RESPONSIBILITIES FOR PREPARATION OF ACCOUNTS

The directors are responsible for the preparation of financial statements in compliance with the relevant regulations and applicable accounting standards.

The responsibility of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 27 to 28.

INTERNAL CONTROL

The Board is responsible for maintaining effective internal control systems of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to evaluate the Group's risk, achieve the division goals and business objectives, maintain proper accounting records for the provision of financial information for internal analysis or for publication, comply with relevant legislation and regulations. The Board evaluated the effectiveness of the internal control system in the board meetings.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company establishes different communication channels with shareholders and investors: (i) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (ii) updated company news and published announcements of the Group are available on the websites of the Stock Exchange and the Company, (iii) different electronic means are opened to the shareholders and investors for communication channel and investors relations contact is disclosed on page 2 of this annual report and the Company's website, and (iv) the Stock Exchange and the Companies Registry serve the shareholders in relation to all filing documents under the Listing Rules and Companies Ordinance.

SHAREHOLDERS' RIGHT

According to the Company's Bye-laws, any shareholders holding not less than 10% of the paid-up capital of the Company, can deposit a requisition to the Board or the Company Secretary of the Company to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

MANAGEMENT FUNCTIONS

A newly appointed Director, if any, shall be provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the conducting of businesses of the Group.

The directors present their report and audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 95.

An interim dividend of HK3 cents per ordinary share was paid on 31 October 2007. The directors recommend the payment of a final dividend of HK5.5 cents per ordinary share, totalling HK$26,295,000 payable on Monday, 30 June 2008 to shareholders whose names appear on the register of members on Tuesday, 20 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 96. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the Company's share capital, share options and warrants during the year are set out in notes 31 and 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$105,070,000 (2006: HK$94,553,000), of which HK$26,295,000 (2006: HK$16,540,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$163,416,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 45.7% (2006: 45.7%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 23.4% (2006: 23.0%).

Purchases from the Group's five largest suppliers accounted for approximately 48.4% (2006: 45.1%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15.9% (2006: 24.1%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive Directors
Mr. Chan Ho Sing
Mr. Ko Pak On
Mr. Chan Yu Ching, Eugene (appointed on 18 December 2007)
Mr. Tso Yan Wing, Alan (appointed on 18 December 2007)

Independent Non-executive Directors
Dr. Li Sau Hung, Eddy
Mr. Lo Kwok Kwei, David
Mr. Mar, Selwyn

In accordance with Bye-law 86 of the Company's Bye-laws, Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan, will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ko Pak On and Mr. Lo Kwok Kwei, David, will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Li Sau Hung, Eddy, Mr. Lo Kwok Kwei, David and Mr. Mar, Selwyn pursuant to Rule 3.13 of the Listing Rules and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 10 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ko Pak On has entered into a service contract with the Company for a fixed term of two years commencing on 1 January 2007 and the contract will expire on 31 December 2008.

Apart from the foregoing, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at the annual general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee which was established on 22 March 2006 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The Remuneration Committee comprises two independent non-executive directors and one Executive Director of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares and underlying shares of the Company as at 31 December 2007:

		Number of shares and underlying shares held, capacity and nature of interest					
Name of director	Notes	Capacity	Nature of interest	Interests in shares	Interest in underlying shares (options)	Interest in underlying shares (warrants)	Approximate percentage of the Company's issued share capital
Chan Ho Sing	(a)	Founder of discretionary trust	Family	209,689,667	—	20,968,966	48.29%
Chan Ho Sing	(b)	Interest of spouse	Family	5,700,000	200,000	570,000	1.36%
Chan Ho Sing		Beneficial owner	Personal	25,647,667	—	2,395,566	5.87%
				241,037,334	200,000	23,934,532	55.52%
Ko Pak On		Beneficial owner	Personal	2,066,666	1,000,000	206,666	0.69%
Chan Yu Ching, Eugene		Beneficial owner	Personal	4,516,666	200,000	451,666	1.08%
Tso Yan Wing, Alan		Beneficial owner	Personal	100,000	700,000	30,000	0.17%

Notes:

(a) These shares and warrants are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing.

(b) The interest of spouse represents ordinary shares, share options and warrants held by Kee Chor Lin, the spouse of Chan Ho Sing.

In addition to the above, Mr. Chan Ho Sing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and as disclosed under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES", as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEMES" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the New Scheme and the old scheme terminated on 26 May 2006 (the "Old Scheme") are disclosed in note 32 to the financial statements.

The following tables disclose movements in the Company's share options outstanding during the year:

Old Scheme

	Number of share options								Price of Company shares	
Name or category of participant	At 1 January 2007	Granted during the period	Exercised during the period	Forfeited during the period	At 12 February 2007*	Date of grant of share options	Exercise period of share options	Exercise Price of share options HK$ per share	Immediately before the exercise date HK$ per share	At the exercise date of options HK$ per share
Director										
Ko Pak On	1,500,000	—	(1,500,000)	—	—	30.12.1997	30.12.1997 to 12.2.2007	0.7856	2.20	2.22
Other employees										
In aggregate	100,000	—	(100,000)	—	—	30.12.1997	30.12.1997 to 12.2.2007	0.7856	2.26	2.12
	1,600,000	—	(1,600,000)	—	—					

* Date of expiry of the Old Scheme

New Scheme

Name or category of participant	Number of share options: At 1 January 2007	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2007	Date of grant of share options	Exercise period of share options	Exercise Price of share options HK$ per share	Price of Company shares: Immediately before the exercise date HK$ per share	At the exercise date of options HK$ per share
Directors										
Chan Ho Sing*	200,000	—	(200,000)	—	—	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.58	2.58
	200,000	—	—	—	200,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	400,000	—	(200,000)	—	200,000					
Ko Pak On	500,000	—	—	—	500,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
	500,000	—	—	—	500,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	1,000,000	—	—	—	1,000,000					
Chan Yu Ching, Eugene	200,000	—	(200,000)	—	—	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.58	2.58
	200,000	—	—	—	200,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	400,000	—	(200,000)	—	200,000					
Tso Yan Wing, Alan	1,000,000	—	(300,000)	—	700,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.47	2.50
Other employees										
In aggregate	1,400,000	—	(1,250,000)	—	150,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.58	2.56
In aggregate	1,400,000	—	(450,000)	(150,000)	800,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	2.31	2.22
	2,800,000	—	(1,700,000)	(150,000)	950,000					
	5,600,000	—	(2,400,000)	(150,000)	3,050,000					

* The share options represent the spouse interest.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the following interests and short positions of 5% or more of the issued share capital and share options and warrants of the Company (other than a director or chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions as at 31 December 2007:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Interest in underlying shares (options)	Interest in underlying shares (warrants)	Approximate percentage of the Company's issued share capital
Man Yue Holdings Inc. ("MYHI")	1&3	Beneficial interest	209,689,667	—	20,968,966	48.29%
Mico Global Inc. ("MGI")	1&3	Corporate/ Interest of controlled corporation	209,689,667	—	20,968,966	48.29%
RBTT Trust Corporation	2&3	Trust/ Trustee of discretionary trust	209,689,667	—	20,968,966	48.29%
Kee Chor Lin	4	Family/ Interest of spouse/ Beneficial interest	241,037,334	200,000	23,934,532	55.52%
DJE Investment S.A. ("DJE")	5&7	Investment manager	42,834,000	—	—	8.97%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	5, 6&7	Investment manager	42,834,000	—	—	8.97%
Dr. Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	7	Investment manager	42,834,000	—	—	8.97%
Martin Currie (Holdings) Limited		Interest of controlled corporation	26,783,600	—	—	5.61%

Notes:

1. MGI holds a 100% direct interest in MYHI and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by MYHI.
2. RBTT Trust Corporation as trustee of the family trust of Chan Ho Sing, holds a 100% direct interest in MGI and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by MGI.
3. The interests of MYHI, MGI and RBTT Trust Corporation are in respect of the same 209,689,667 and 20,968,966 underlying shares and duplicated each other.
4. 5,700,000 shares, 200,000 share options and 570,000 warrants are the beneficial interest of Kee Chor Lin. The remaining interests are held by MYHI and Chan Ho Sing, spouse of Kee Chor Lin.
5. DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in shares interested by or deemed to be interested by DJE.
6. Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by DJE AG.
7. The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 42,834,000 underlying shares and duplicated each other.

The details of the share options outstanding during the year are separately disclosed in the section "SHARE OPTION SCHEMES" above.

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Group's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

2005 loan agreement

Pursuant to a loan agreement dated 6 October 2005 between the Company and a syndicate of banks relating to an interest-bearing 3-year transferable term loan and revolving loan facilities in an aggregate amount HK$280,000,000, a termination event would arise if:

- Mr. Chan Ho Sing ("Mr Chan") ceases to be the Chairman of the Group; or
- Mr. Chan ceases to be actively involved in the day-to-day management and business of the Company.

The 2005 loan agreement referred to above was completely repaid in November 2007 and accordingly, obligations imposed on the controlling shareholder listed above were removed during the year.

2007 loan agreement

In accordance with a loan agreement dated 19 November 2007 between the Company and a syndicate of fourteen banks relating to an interest-bearing 4-year transferable term loan facility in an aggregate amount of HK$480,000,000, a termination event would arise if:

- Mr. Chan ceases to be the Chairman of the Group; or
- Mr. Chan ceases to be actively involved in the day-to-day management and business of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee, comprising three INEDs, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Ho Sing
Chairman

Hong Kong
18 April 2008

ERNST & YOUNG
安永會計師事務所

To the shareholders of MAN YUE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Man Yue International Holdings Limited set out on pages 29 to 95, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of MAN YUE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

18 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,380,334**	1,239,119
Cost of sales		**(1,090,746)**	(925,296)
Gross profit		**289,588**	313,823
Other income and gains		**15,417**	20,685
Selling and distribution costs		**(49,043)**	(60,274)
Administrative expenses		**(133,260)**	(116,908)
Other operating expenses		**(4,172)**	(2,359)
Changes in fair value of investment properties	15	**29,202**	—
Finance costs	6	**(23,148)**	(20,935)
Share of profits of jointly-controlled entities		**18,349**	1,491
PROFIT BEFORE TAX	7	**142,933**	135,523
Tax	10	**(7,168)**	(13,866)
PROFIT FOR THE YEAR		**135,765**	121,657
Attributable to:			
Equity holders of the Company	11	**135,765**	121,657
DIVIDENDS	12	**40,659**	25,615
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK28.88 cents**	HK28.48 cents
Diluted		**HK28.65 cents**	HK27.76 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**574,619**	499,068
Investment properties	15	**71,000**	—
Prepaid land premiums	16	**91,797**	59,158
Other intangible asset	17	**4**	94
Investments in jointly-controlled entities	19	**26,230**	3,679
Deposits on purchases of property, plant and equipment		**41,914**	6,588
Prepayments		**8,543**	—
Deferred tax assets	29	**3,167**	1,912
Total non-current assets		**817,274**	570,499
CURRENT ASSETS			
Inventories	20	**264,797**	206,470
Trade receivables	21	**303,808**	287,120
Prepayments, deposits and other receivables		**40,566**	32,567
Loans to a jointly-controlled entity	19	**44,302**	28,800
Due from jointly-controlled entities	19	**3,854**	2,744
Available-for-sale investments	22	**8,476**	17,126
Short term investments	23	**119**	90
Derivative financial instruments	24	**5,145**	112
Cash and cash equivalents	25	**390,683**	90,636
Total current assets		**1,061,750**	665,665
CURRENT LIABILITIES			
Trade payables	26	**243,791**	173,036
Other payables and accrued liabilities		**70,902**	61,979
Due to jointly-controlled entities	19	**—**	1,770
Derivative financial instruments	24	**2,001**	898
Tax payable		**2,889**	4,750
Bank loans	27	**194,487**	144,464
Finance lease payables	28	**254**	389
Dividend payable		**16**	8
Total current liabilities		**514,340**	387,294
NET CURRENT ASSETS		**547,410**	278,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,364,684**	848,870

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Bank loans	27	**459,814**	225,664
Finance lease payables	28	**21**	333
Accrual for long service payments		**1,578**	1,789
Deferred tax liabilities	29	**2,581**	2,902
Deferred income	30	**60,019**	11,879
Total non-current liabilities		**524,013**	242,567
Net assets		**840,671**	606,303
EQUITY			
Share capital	31	**47,764**	44,723
Reserves	33	**766,612**	545,040
Proposed final dividend	12	**26,295**	16,540
Total equity		**840,671**	606,303

Chan Ho Sing
Director

Tso Yan Wing, Alan
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Total equity at 1 January		**606,303**	444,441
Changes in fair value of available-for-sale investments	33	**1,482**	5,602
Disposal of available-for-sale investments	33	**(4,358)**	(323)
Net gain/(loss) on cash flow hedges	33	**785**	(17)
Surplus on revaluation of buildings, net	33	**691**	170
Deferred tax debited to equity	33	**(179)**	(20)
Exchange differences on translation of the financial statements of foreign entities	33	**71,219**	26,617
Total income and expenses recognised directly in equity		**69,640**	32,029
Profit for the year attributable to equity holders of the Company	33	**135,765**	121,657
Total income and expense for the year		**205,405**	153,686
Share options exercised	31	**5,097**	8,799
Warrants exercised	31	**6,241**	10,583
Placement of shares	31	**47,969**	—
Share issue expenses	31	**(1,402)**	—
Costs in the granting of share options	33	**1,962**	6,174
Final dividend paid		**(16,598)**	(8,581)
Interim dividend paid	12	**(14,306)**	(8,799)
Total equity at 31 December		**840,671**	606,303

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**142,933**	135,523
Adjustments for:			
Finance costs	6	**23,148**	20,935
Share of profits of jointly-controlled entities		**(18,349)**	(1,491)
Dividend income	7	**(451)**	(1,008)
Bank interest income	7	**(2,694)**	(1,102)
Loss on disposal of property, plant and equipment	7	**400**	234
Depreciation of property, plant and equipment	7	**56,983**	46,446
Recognition of prepaid land premiums	7	**994**	894
Amortisation of other intangible asset	7	**93**	183
Deferred income recognised as income	7	**(207)**	(247)
Realised gain on disposal of available-for-sale investments, net	7	**(11,122)**	(788)
Fair value (gain)/loss on short term investments	7	**(29)**	26
Fair value gain on derivative instruments — transactions not qualifying as hedges, net	7	**(3,144)**	—
Costs in the granting of share options	7	**1,962**	6,174
Deficit on revaluation of buildings	7	**3,697**	—
Changes in fair value of investment properties		**(29,202)**	—
		165,012	205,779
(Increase)/decrease in inventories		**(56,741)**	16,929
Increase in trade receivables		**(16,445)**	(51,799)
Increase in prepayments, deposits and other receivables		**(6,073)**	(4,103)
Increase/(decrease) in trade payables		**70,708**	(3,286)
Increase/(decrease) in other payables and accrued liabilities		**8,923**	(1,597)
Decrease in amounts due to jointly-controlled entities		**(1,770)**	(1,249)
Decrease in accrual for long service payments		**(211)**	(1,287)
Cash generated from operations		**163,403**	159,387
Proceeds from disposal of available-for-sale investments		**17,293**	—
Purchase of available-for-sale investments		**(394)**	—
Dividends received		**451**	1,008
Interest received		**2,694**	1,102
Interest paid		**(23,116)**	(20,166)
Interest element on finance lease rental payments		**(32)**	(113)
Hong Kong profits tax paid		**(1,374)**	(5,660)
Overseas taxes paid		**(8,267)**	(6,947)
Purchase of tax reserve certificates		**(1,280)**	—
Net cash inflow from operating activities		**149,378**	128,611

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow from operating activities		**149,378**	128,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits for purchase of property, plant and equipment		**(40,543)**	(6,588)
Increase in prepayments		**(8,862)**	—
Purchases of property, plant and equipment		**(111,436)**	(153,374)
Proceeds from disposal of property, plant and equipment		**6,987**	1,147
Additions to prepaid land premiums		**(11,647)**	(28,700)
Return of capital from a jointly-controlled entity		**—**	1,823
Advances to jointly-controlled entities		**(16,612)**	(8,079)
Purchase of available-for-sale investments		**—**	(178)
Proceeds from disposal of available-for-sale investments		**—**	2,899
Net cash outflow from investing activities		**(182,113)**	(191,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share options exercised	31	**5,097**	8,799
Warrants exercised	31	**6,241**	10,583
Placement of shares	31	**47,969**	—
Share issue expenses	31	**(1,402)**	—
New bank loans		**547,821**	150,000
Repayment of bank loans		**(275,817)**	(89,872)
New other loans		**12,169**	—
Capital element of finance lease rental payments		**(447)**	(2,278)
Dividends paid		**(30,896)**	(17,378)
Net cash inflow from financing activities		**310,735**	59,854
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**278,000**	(2,585)
Effect of foreign exchange rate changes, net		**22,047**	10,826
Cash and cash equivalents at beginning of year		**90,636**	82,395
CASH AND CASH EQUIVALENTS AT END OF YEAR		**390,683**	90,636
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**92,007**	86,633
Time deposits with original maturity of less than three months when acquired	25	**298,676**	4,003
		390,683	90,636

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**63,823**	63,823
Prepayments		**8,543**	—
Total non-current assets		**72,366**	63,823
CURRENT ASSETS			
Due from subsidiaries	18	**679,600**	368,229
Prepayments, deposits and other receivables		**5,754**	1,455
Derivative financial instruments	24	**1,402**	—
Cash and cash equivalents	25	**8,874**	1,387
Total current assets		**695,630**	371,071
CURRENT LIABILITIES			
Due to subsidiaries	18	**14,224**	5,687
Other payables and accrued liabilities		**12,744**	5,632
Bank loans	27	**58,686**	96,364
Dividend payable		**16**	8
Total current liabilities		**85,670**	107,691
NET CURRENT ASSETS		**609,960**	263,380
TOTAL ASSETS LESS CURRENT LIABILITIES		**682,326**	327,203
NON-CURRENT LIABILITIES			
Bank loans	27	**361,314**	76,364
Accrual for long service payments		**324**	535
Total non-current liabilities		**361,638**	76,899
Net assets		**320,688**	250,304
EQUITY			
Share capital	31	**47,764**	44,723
Reserves	33	**246,629**	189,041
Proposed final dividend	12	**26,295**	16,540
Total equity		**320,688**	250,304

Chan Ho Sing
Director

Tso Yan Wing, Alan
Director

1. CORPORATE INFORMATION

Man Yue International Holdings Limited (the "Company") was incorporated in Bermuda with limited liability.

During the year, the principal activities of the Group consist of the manufacturing and trading of electronic components; the trading of raw materials and the trading of equity investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 38 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option schemes, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available for sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 (Revised)	*Share-based Payments — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

HKFRS 2 has been revised to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owner, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it represents all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement or in two linked statements. The Group is still evaluating which option should they adopt.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by HKFRS 3 and HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures and the adoption of HKAS 23 (Revised) may result in a change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Machinery and equipment	9%–20%
Furniture and fixtures	18%–20%
Motor vehicles	18%–20%
Leasehold improvements	9%–20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Construction in progress represents factory buildings, office premises and workers' dormitories and related infrastructure projects under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Intangible asset (other than goodwill)

The useful life of intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Technology know-how

Technology know-how was acquired for use in the production of certain high technology electronic components. Expenditure incurred on the acquisition of technology know-how is capitalised and stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the useful life of the technology know-how of three years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the income statement. Interest earned are reported as interest income and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance amount. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at fair vale through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designed as effective hedging instruments. Gains or losses in liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designed as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately to the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade and other receivables

Trade and other receivables generally have credit terms ranging from 15 to 150 days.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Trade and other payables

Liabilities for trade and other payables, which are normally settled on terms of 7 to 120 days, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Income from the sales of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Income from the trading of securities is recognised on the date when the transaction takes place.

Employee benefits

Share option schemes

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 32 to the financial statements. In valuing the granting of share options, no account is taken of any performance conditions, other than conditions linked to the historical price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfiled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Share option schemes (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002.

The financial impact of share options granted to employees on or before 7 November 2002 under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Employment Ordinance — long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS

The presentation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. No further business segment information is presented as over 90% of the Group's revenue and assets relate to the manufacture and trading of electronic components.

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The following table presents revenue and certain asset and capital expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Taiwan		Southeast Asia		Korea		Other countries		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:														
Sales to external customers	**151,653**	219,992	**360,411**	274,745	**521,548**	398,649	**227,289**	221,141	**53,594**	103,921	**65,839**	20,671	**1,380,334**	1,239,119
Other segment information:														
Segment assets	**286,288**	197,274	**1,377,398**	851,099	**84,065**	56,313	**30,100**	52,601	**3,413**	15,747	**11,612**	8,797	**1,792,876**	1,181,831
Interests in jointly-controlled entities	**—**	—	**74,386**	35,223	**—**	—	**—**	—	**—**	—	**—**	—	**74,386**	35,223
Unallocated assets													**11,762**	19,110
													1,879,024	1,236,164
Capital expenditure	**2,010**	47,396	**175,045**	138,707	**—**	—	**—**	—	**—**	—	**—**	—	**177,055**	186,103

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade returns and discounts; income from the sale of equity investments and dividend income.

An analysis of revenue is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Manufacture and trading of electronic components	**1,339,386**	1,182,429
Trading of raw materials	**29,375**	56,690
Sales of equity investments	**11,122**	—
Dividend income from available-for-sale listed investments	**451**	—
	1,380,334	1,239,119

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	**23,116**	20,822
Interest on finance leases	**32**	113
	23,148	20,935

Note: In 2006, the Group capitalised interest of HK$229,000 in property, plant and equipment and such amount was deducted from interest expenses on bank loans.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

		Group	
	Notes	**2007**	2006
		HK$'000	HK$'000
Employee benefits expense			
(including directors' remuneration (note 8)):			
Wages and salaries		**140,620**	119,684
Costs in granting of share options	32	**1,962**	6,174
Pension scheme contributions		**2,780**	2,141
Reversal of unutilised amounts for long service payments		**(211)**	(1,287)
		145,151	126,712
Cost of inventories sold		**885,058**	768,405
Minimum lease payments under operating leases for land and buildings		**23,556**	13,432
Depreciation for property, plant and equipment	14	**56,983**	46,446
Recognition of prepaid land premiums	16	**994**	894
Amortisation of other intangible asset*	17	**93**	183
Auditors' remuneration		**1,800**	1,380
Deficit on revaluation of buildings		**3,697**	—
Foreign exchange differences, net		**13,798**	10,583
Loss on disposal of property, plant and equipment		**400**	234
Write-down of inventories to net realisable value		**—**	539
(Reversal of impairment)/impairment of trade receivables, net		**(550)**	323
Fair value (gain)/loss on short term investments		**(29)**	26
Fair value gain on derivative instruments			
— transactions not qualifying as hedges, net	24	**(3,144)**	—
Bank interest income		**(2,694)**	(1,102)
Deferred income recognised as income		**(207)**	(247)
Dividend income from available-for-sale listed investments		**(451)**	(1,008)
Gain on disposal of an investment in a jointly-controlled entity		**—**	(4,800)
Realised gain on disposal of available-for-sale investments, net		**(11,122)**	(788)
Reinvestment tax credit		**(4,564)**	(7,077)

* The amortisation of other intangible asset for the year is included in "Cost of sales" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**900**	747
Other emoluments:		
Salaries and allowances	**5,616**	4,976
Discretionary bonuses	**5,543**	5,405
Costs in the granting of share option	**433**	1,028
Pension scheme contributions	**24**	24
Total directors' remuneration	**12,516**	12,180

In 2006, certain directors were granted share options, under the share option scheme of the Company, in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. The fair value of such options, which have been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Mar, Selwyn	**300**	240
Li Sau Hung, Eddy	**300**	283
Lo Kwok Kwei, David	**300**	224
	900	747

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Group Costs in the granting of share option HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
Chan Ho Sing	**4,590**	**5,000**	**—**	**12**	**9,602**
Ko Pak On	**871**	**509**	**426**	**12**	**1,818**
Chan Yu Ching, Eugene*	**97**	**19**	**7**	**—**	**123**
Tso Yan Wing, Alan*	**58**	**15**	**—**	**—**	**73**
	5,616	**5,543**	**433**	**24**	**11,616**

* As Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan were appointed on 18 December 2007, only 14 days' remuneration of them were considered as directors' remuneration.

	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Group Costs in the granting of share option HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
Executive directors:					
Chan Ho Sing	4,160	5,000	—	12	9,172
Ko Pak On	816	405	1,028	12	2,261
	4,976	5,405	1,028	24	11,433

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2006: two) directors, details of whose remuneration are set out in note 8 above. As only a portion of the remuneration of Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan were considered in directors' remuneration in note 8 above, and both of them were considered as one of the five highest paid employees in 2007, their full year's remuneration including the portion disclosed in note 8 above, have been included in the disclosure below.

Details of the remuneration of the remaining three (2006: three) highest paid employees (one being non-director) for the year are as follows:

	Group 2007 HK$'000	2006 HK$'000
Salaries and allowances	**5,486**	5,026
Discretionary bonuses	**1,266**	900
Costs in the granting of share option	**341**	2,268
Pension scheme contributions	**36**	36
	7,129	8,230

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of non-director, highest paid employees, including two directors appointed on 18 December 2007, whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	3	3

In 2006, share options were granted to certain non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	HK$'000
Charge for the year:		
Current:		
Hong Kong	**279**	4,027
Mainland China	**9,167**	7,191
Overseas	**6**	6
Overprovision in prior years	**(529)**	—
	8,923	11,224
Deferred (note 29)	**(1,755)**	2,642
Total tax charge for the year	**7,168**	13,866

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions and reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 10% to 27%.

The tax affairs of certain subsidiaries of the Group for prior years are currently under review by the Hong Kong Inland Revenue Department ("IRD"). In connection with the review of the IRD, notices of assessments were issued to the subsidiaries of the Group for the years from 1998 to 2001 and objections were lodged with the IRD. Tax reserve certificates of HK$8.48 million were purchased as at the date of this report.

10. TAX (CONTINUED)

Whilst management considers that the subsidiaries have grounds to support their tax position for prior years, the outcome of the review remains undetermined at the date of this report. The directors of the Company, after consultation with the Company's tax advisers, consider that it is premature to estimate the amount of potential liabilities, if any, that may arise from the review and accordingly no additional tax provision has been made in the financial statements as at 31 December 2007.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

Group — 2007

	Hong Kong		Mainland China		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	10,239		118,244		14,450		142,933	
Tax at the statutory tax rate	1,792	17.5	28,665	24.2	1,445	10.0	31,902	22.3
Lower tax rate for specific local authority	—		(17,350)		(1,500)		(18,850)	
Profits attributable to jointly-controlled entities	—		(1,835)		—		(1,835)	
Income not subject to tax	(5,894)		(1,222)		—		(7,116)	
Expenses not deductible for tax	2,480		442		61		2,983	
Tax losses utilised from previous periods	(871)		—		—		(871)	
Tax losses not recognised	1,094		390		—		1,484	
Adjustments in respect of current tax of previous periods	(529)		—		—		(529)	
Tax charge at the Group's effective rate	(1,928)	(18.8)	9,090	7.7	6	—	7,168	5.0

10. TAX (CONTINUED)

Group — 2006

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Others HK$'000	%	Total HK$'000	%
Profit before tax	13,139		113,794		8,590		135,523	
Tax at the statutory tax rate	2,299	17.5	11,379	10.0	759	8.8	14,437	10.7
Lower tax rate for specific local authority	—		(3,463)		(803)		(4,266)	
Profits attributable to jointly-controlled entities	—		(150)		—		(150)	
Income not subject to tax	(2,557)		(186)		—		(2,743)	
Expenses not deductible for tax	4,688		2,075		50		6,813	
Tax losses utilised from previous periods	(408)		—		—		(408)	
Tax losses not recognised	183		—		—		183	
Tax charge at the Group's effective rate	4,205	32.0	9,655	8.5	6	0.1	13,866	10.2

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit for the year attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$41,421,000 (2006: HK$35,324,000) which has been dealt with in the financial statements of the Company (note 33).

12. DIVIDENDS

	2007 HK$'000	2006 HK$'000
2006		
Additional 2006 final dividend	**58**	276
2007		
Interim — HK3.0 cents (2006: HK2.0 cents) per ordinary share	**14,306**	8,799
Proposed final — HK5.5 cents (2006: HK3.5 cents) per ordinary share	**26,295**	16,540
	40,659	25,615

Subsequent to the approval of the 2006 financial statements and prior to the book close period of the 2006 final dividends, an additional 1,650,000 (2006: 13,800,000) ordinary shares were issued by the Company as a result of share options being exercised by the employees. Accordingly, an additional 2006 final dividend amounted to HK$58,000 (2006: HK$276,000) was paid in 2007.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$135,765,000 (2006: HK$121,657,000), and the weighted average of 470,050,000 (2006: 427,121,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$135,765,000 (2006: HK$121,657,000). The weighted average number of ordinary shares used in the calculation is the 470,050,000 (2006: 427,121,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 2,567,000 (2006: 6,529,000) and 1,286,000 (2006: 4,600,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options, respectively, during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007								
At 31 December 2006 and at 1 January 2007:								
Cost or valuation		90,263	521,286	19,911	10,645	22,403	51,201	715,709
Accumulated depreciation		—	(180,227)	(11,438)	(4,772)	(20,204)	—	(216,641)
Net carrying amount		90,263	341,059	8,473	5,873	2,199	51,201	499,068
At 1 January 2007, net of accumulated depreciation		90,263	341,059	8,473	5,873	2,199	51,201	499,068
Additions		13	82,844	8,572	698	—	25,897	118,024
Disposals		—	(6,935)	(279)	(140)	(33)	—	(7,387)
Transfer to investment properties	15	(13,600)	—	—	—	—	—	(13,600)
Deficit on revaluation		(3,006)	—	—	—	—	—	(3,006)
Depreciation provided during the year		(3,082)	(48,910)	(2,344)	(1,624)	(1,023)	—	(56,983)
Transfers		1,596	2,992	21	—	34,479	(39,088)	—
Exchange realignment		4,076	28,411	1,218	273	1,300	3,225	38,503
At 31 December 2007, net of accumulated depreciation		76,260	399,461	15,661	5,080	36,922	41,235	574,619
At 31 December 2007:								
Cost or valuation		76,260	637,498	29,104	11,328	58,244	41,235	853,669
Accumulated depreciation		—	(238,037)	(13,443)	(6,248)	(21,322)	—	(279,050)
Net carrying amount		76,260	399,461	15,661	5,080	36,922	41,235	574,619
Analysis of cost or valuation:								
At cost		—	637,498	29,104	11,328	58,244	41,235	777,409
At 2007 valuation		76,260	—	—	—	—	—	76,260
		76,260	637,498	29,104	11,328	58,244	41,235	853,669

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2006							
At 31 December 2005 and at 1 January 2006:							
Cost or valuation	64,844	421,326	15,064	9,222	22,227	13,591	546,274
Accumulated depreciation	—	(137,405)	(10,000)	(2,963)	(19,386)	—	(169,754)
Net carrying amount	64,844	283,921	5,064	6,259	2,841	13,591	376,520
At 1 January 2006, net of accumulated depreciation	64,844	283,921	5,064	6,259	2,841	13,591	376,520
Additions	17,297	88,672	2,652	1,286	123	47,373	157,403
Disposals	—	(2,547)	(48)	(236)	(55)	—	(2,886)
Surplus on revaluation	170	—	—	—	—	—	170
Depreciation provided during the year	(2,445)	(40,275)	(1,390)	(1,573)	(763)	—	(46,446)
Transfers	8,226	1,025	1,998	—	—	(11,249)	—
Exchange realignment	2,171	10,263	197	137	53	1,486	14,307
At 31 December 2006, net of accumulated depreciation	90,263	341,059	8,473	5,873	2,199	51,201	499,068
At 31 December 2006:							
Cost or valuation	90,263	521,286	19,911	10,645	22,403	51,201	715,709
Accumulated depreciation	—	(180,227)	(11,438)	(4,772)	(20,204)	—	(216,641)
Net carrying amount	90,263	341,059	8,473	5,873	2,199	51,201	499,068
Analysis of cost or valuation:							
At cost	—	521,286	19,911	10,645	22,403	51,201	625,446
At 2006 valuation	90,263	—	—	—	—	—	90,263
	90,263	521,286	19,911	10,645	22,403	51,201	715,709

The net book value of the Group's property, plant and machinery held under finance leases included in the total amount of motor vehicles at 31 December 2007 amounted to HK$799,000 (2006: HK$1,095,000).

The Group's buildings were revalued individually at 31 December 2007 by Chung, Chan & Associates, independent professionally qualified valuers, at an aggregate open market value of HK$76,260,000 based on their existing use. Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying values would have been approximately HK$71,963,000 (2006: HK$87,476,000).

15. INVESTMENT PROPERTIES

	Notes	Group 2007 HK$'000	Group 2006 HK$'000
Carrying amount at 1 January		**—**	—
Transfer from property, plant and equipment	14	**13,600**	—
Transfer from prepaid land premiums	16	**28,198**	—
Net profit from a fair value adjustment		**29,202**	—
Carrying amount at 31 December		**71,000**	—

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2007 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$71,000,000 on an open market, existing use basis.

16. PREPAID LAND PREMIUMS

	Note	Group 2007 HK$'000	Group 2006 HK$'000
Carrying amount at 1 January		**60,124**	31,512
Additions		**59,031**	28,700
Transfer to investment properties	15	**(28,198)**	—
Recognised during the year		**(994)**	(894)
Exchange realignment		**3,787**	806
Carrying amount at 31 December		**93,750**	60,124
Current portion included in prepayments, deposits and other receivables		**(1,953)**	(966)
Non-current portion		**91,797**	59,158

An analysis of the Group's leasehold land is as follows:

	2007 HK$'000	2006 HK$'000
Medium term leases:		
Hong Kong	**8,347**	37,041
Mainland China	**85,403**	23,083
	93,750	60,124

17. OTHER INTANGIBLE ASSET

Group

	Technology know-how	
	2007	2006
	HK$'000	HK$'000
Cost at 1 January, net of accumulated amortisation	**94**	270
Amortisation provided during the year	**(93)**	(183)
Exchange realignment	**3**	7
At 31 December	**4**	94
At 31 December:		
Cost	**1,319**	1,319
Accumulated amortisation	**(1,315)**	(1,225)
Net carrying amount	**4**	94

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**63,823**	63,823
Due from subsidiaries	**679,600**	368,229
Due to subsidiaries	**(14,224)**	(5,687)
	729,199	426,365

The amounts due from and to subsidiaries are included in the Company's current assets and current liabilities, respectively.

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances with subsidiaries approximate to their fair values.

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Dongguan Ostor-Samxon Electronics Co. Ltd.#*	People's Republic of China	Registered US$9,590,000	**100**	100	Manufacture and sale of electronic components
Johnstone International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	Investment holding
Long Trade (Macao Commercial Offshore) Limited*	Macau	Registered MOP100,000	**100**	100	Trading of raw materials
Man Fat International Trading (Shanghai) Co., Ltd.#*	People's Republic of China	Registered US$200,000	**100**	100	Trading of electronic components
Man Jin Electronics (Shenzhen) Company Limited#*	People's Republic of China	Registered HK$600,000	**100**	100	Trading of electronic components
Man Yue Electronics Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$3,000,000	**100**	100	Trading of electronic components
Man Yue Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$10,000	**100**	100	Investment holding
Man Yue Technology Limited	British Virgin Islands/ Hong Kong	Ordinary US$10	**100**	100	Investment holding
Man Yue Technology (China) Limited#*	People's Republic of China	Registered US$48,000,000	**100**	100	Trading of electronic components
MMS Electronics Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Trading of electronic components
MMS Logistics Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Trading of electronic components
Rifeng Qingyuan Electronic Company Limited#*	People's Republic of China	Registered HK$80,000,000	**100**	100	Manufacture and sale of raw materials
Samxon Electronics Components LLC*	USA	Contributed US$1,000	**100**	100	Provision of marketing-related services
Samxon Electronics (Dongguan) Co., Ltd.#*	People's Republic of China	Registered US$46,775,000	**100**	100	Manufacture and sale of electronic components
Searange Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Trading of equity investments
Splendid Skills Holdings Ltd.	British Virgin Islands/ Hong Kong	Ordinary US$10	**100**	100	Investment holding
Stand New Enterprise Ltd.	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
TradeUNIT Limited	British Virgin Islands/ Hong Kong	Ordinary HK$9,500,000	**100**	100	Trading of raw materials and electronic components

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2007	2006	
Wuxi Heli Electronic Co., Ltd.#*	People's Republic of China	Registered US$100,000	**100**	100	Manufacture and sale of electronic components
Wuxi Man Yue Electronics Company Limited#*	People's Republic of China	Registered US$30,000,000	**100**	100	Manufacture and sale of electronic components
Xinjiang Join Yue Electronics New Materials Co. Ltd.#*	People's Republic of China	Registered US$8,000,000	**100**	100	Manufacture and sale of raw materials

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

\# The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2007 HK$'000	2006 HK$'000
Share of net assets	**26,230**	3,679
Due from jointly-controlled entities	**3,854**	2,744
Due to jointly-controlled entities	**—**	(1,770)
Loans to a jointly-controlled entity	**44,302**	28,800
	74,386	33,453

The amounts due from and to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances with jointly-controlled entities approximate to their fair values.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Except for the balances amounting to HK$15,483,000 (2006: Nil), which are interest-bearing at a rate of 6.84% per annum, the remaining balances with the jointly-controlled entities are interest-free, unsecured and have no fixed terms of repayment. The carrying amounts of the loan balances approximate to their fair values.

Particulars of the principal jointly-controlled entities, all of which are held indirectly through subsidiaries, are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ever Reliance Industrial Investments Limited	Ordinary shares of HK$1 each	Hong Kong	48	50	48	Investment holding
Foshan Rifeng Electronic Co., Ltd.	Registered capital of US$1,000,000	People's Republic of China	33	33	33	Manufacture and sale of electronic components
Nan Tong Xin Cheng Electronics Co., Ltd.	Registered capital of HK$6,080,000	People's Republic of China	49	33	49	Manufacture and sale of electronic components

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group 2007 HK$'000	Group 2006 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**80,180**	60,978
Current assets	**7,322**	4,980
Non-current liabilities	**(19,861)**	—
Current liabilities	**(41,411)**	(62,279)
Net assets	**26,230**	3,679
Share of the jointly-controlled entities' results:		
Total income	**33,798**	13,477
Total expenses	**(15,449)**	(11,986)
Profit after tax	**18,349**	1,491

20. INVENTORIES

	Group 2007 HK$'000	Group 2006 HK$'000
Raw materials	**138,226**	89,932
Work in progress	**30,396**	21,241
Finished goods	**96,175**	95,297
	264,797	206,470

21. TRADE RECEIVABLES

	Group 2007 HK$'000	Group 2006 HK$'000
Trade receivables	**312,498**	296,359
Impairment	**(8,690)**	(9,239)
	303,808	287,120

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 150 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables, as at the balance sheet date based on the payment due date and net of provisions for doubtful debts, is as follows:

	Group 2007 HK$'000	Group 2007 %	Group 2006 HK$'000	Group 2006 %
Neither past due nor impaired	**260,560**	**86**	230,741	80
1–3 months past due	**30,864**	**10**	42,917	15
4–6 months past due	**2,626**	**1**	11,144	4
7–12 months past due	**7,382**	**2**	2,009	1
Over 1 year past due	**2,376**	**1**	309	—
	303,808	**100**	287,120	100

21. TRADE RECEIVABLES (CONTINUED)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**9,239**	8,909
Impairment losses recognised	**4**	2,104
Impairment losses reversed	**(554)**	(1,781)
Exchange realignment	**1**	7
At 31 December	**8,690**	9,239

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$8,695,000 (2006: HK$9,631,000) with a carrying amount of HK$5,000 (2006: HK$392,000). The individually impaired trade receivables relate to customers that were in financial difficulties, in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables, net of provision for doubtful debts that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**260,560**	230,702
1–3 months past due	**30,864**	42,698
4–6 months past due	**2,626**	11,126
7–12 months past due	**7,377**	1,908
Over 1 year past due	**2,376**	294
	303,803	286,728

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are in the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Non-Hong Kong listed equity investments, at fair value	**8,476**	17,126

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

23. SHORT TERM INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**119**	90

The above equity investments at 31 December 2007 were classified as held for trading.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2007		2006	
	HK$'000		HK$'000	
	Assets	**Liabilities**	Assets	Liabilities
Forward currency contracts	**3,743**	**2,001**	112	898
Interest rate swaps	**1,402**	**—**	—	—
	5,145	**2,001**	112	898

	Company	
	2007	2006
	HK'000	HK'000
Interest rate swaps — Assets	**1,402**	—

The carrying amounts of forward currency contracts and interest rate swaps approximate to their fair values. The above transactions involving derivative financial instruments are with Hang Seng Bank and Standard Chartered Bank of Aa2 and Aa3 credit ratings, respectively.

Forward currency contracts — cash flow hedges

At 31 December 2007, the Group held two forward currency contracts designated as hedges in respect of expected future purchases from suppliers and for operating use in Japan and Mainland China, respectively. The Group held another forward currency contract outstanding at 31 December 2007 designated as hedges of expected future sales to customers in Mainland China.

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Forward currency contracts — cash flow hedges (continued)

However, these forward currency contracts did not meet the criteria for hedge accounting for accounting purpose, and the changes in the fair value of non-hedging currency derivatives amounting to HK$1,742,000 were credited to the income statement during the year (2006: Nil).

In 2006, the terms of the forward currency contracts have been negotiated to match the terms of the forecast transactions. The cash flow hedges of the expected future purchases were assessed to be highly effective and a net loss of HK$17,000 was included in the hedging reserve.

Fair value hedge

At 31 December 2007, the Group had an interest rate swap agreement in place with a notional amount of HK$200,000,000 whereby it pays interest at a fixed rate of 3% and receives a variable rate equal to HIBOR on the notional amount. The swap is used to hedge certain exposure to changes in the fair value of a bank loan. As the interest rate swap did not meet the criteria for hedge accounting, changes in the fair value of non-hedging interest rate swap amounting to HK$1,402,000 were credited to the income statement during the year (2006: Nil).

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**92,007**	86,633	**8,874**	1,387
Time deposits	**298,676**	4,003	**—**	—
	390,683	90,636	**8,874**	1,387

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$26,004,000 (2006: HK$23,215,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group			
	2007		2006	
	HK$'000	%	HK$'000	%
Accounts payable:				
Less than 3 months	**134,265**	**77**	97,596	76
4–6 months	**37,772**	**22**	27,948	22
7–12 months	**1,199**	**1**	674	1
Over 1 year	**650**	**—**	999	1
	173,886	**100**	127,217	100
Bills payable	**69,905**		45,819	
	243,791		173,036	

27. BANK LOANS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans, unsecured, repayable:				
Within one year or on demand	**194,487**	144,464	**58,686**	96,364
In the second year	**216,671**	151,164	**126,171**	76,364
In the third to fifth years, inclusive	**243,143**	74,500	**235,143**	—
	654,301	370,128	**420,000**	172,728
Less: Portion classified as current liabilities	**(194,487)**	(144,464)	**(58,686)**	(96,364)
Non-current portion	**459,814**	225,664	**361,314**	76,364

Except for the Group's unsecured bank loans with a weighted average interest rate of 2.06% amounting to HK$45,001,000 are denominated in Japanese Yen, all the remaining bank loans of the Group and the Company are denominated in Hong Kong dollars and bear floating interest at a weighted average interest rate of 4.08% per annum. They are repayable by instalment up to 2011. The carrying amounts of the Group's and the Company's bank loans approximate to their fair values.

28. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**263**	422	**254**	389
In the second year	**21**	263	**21**	251
In the third to fifth years, inclusive	**—**	83	**—**	82
Total minimum finance lease payments	**284**	768	**275**	722
Future finance charges	**(9)**	(46)		
Total net finance lease payables	**275**	722		
Portion classified as current liabilities	**(254)**	(389)		
Non-current portion	**21**	333		

Finance lease payables are denominated in Hong Kong dollars and bear interest at a weighted average interest rate of 2.65% per annum. They are repayable by instalment up to 2009.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Provisions for trade receivables and inventories HK$'000	Losses available for offset against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2006	3,020	—	1,357	4,377
Deferred tax charged to the income statement during the year (note 10)	(1,139)	—	(1,326)	(2,465)
Gross deferred tax assets at 31 December 2006 and 1 January 2007	1,881	—	31	1,912
Deferred tax credited/(charged) to the income statement during the year (note 10)	(626)	6,124	240	5,738
Gross deferred tax assets at 31 December 2007	1,255	6,124	271	7,650

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2006	1,885	820	2,705
Deferred tax charged to the income statement during the year (note 10)	—	177	177
Deferred tax debited to equity during the year	20	—	20
Gross deferred tax liabilities at 31 December 2006 and 1 January 2007	1,905	997	2,902
Deferred tax charged/(credited) to the income statement during the year (note 10)	4,483	(500)	3,983
Deferred tax debited to equity during the year	179	—	179
Gross deferred tax liabilities at 31 December 2007	6,567	497	7,064

29. DEFERRED TAX (CONTINUED)

At 31 December 2007, the Group had tax losses arising in Hong Kong of HK$25,423,000 (2006: HK$24,048,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

There is no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or jointly-controlled entities as at the balance sheet date (2006: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For the purpose of the balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	2007 **HK$'000**
Net deferred tax assets recognised in the consolidated balance sheet	3,167
Net deferred tax liabilities recognised in the consolidated balance sheet	(2,581)
	586

30. DEFERRED INCOME

The deferred income amounting to HK$12,634,000 (2006: HK$11,879,000) and HK$47,385,000 (2006: Nil) of non-cash subsidies in relation to parcels of land located in Wuxi and Nanjing, were granted by Jiangsu Province Xishan Economic Development Management Committee and Nanjing New and Technology Industry Development Company in 2004 and 2007, respectively. The subsidies were in the form of a reduction of the consideration for the acquisition of a parcel of land in Wuxi and Nanjing, the PRC, paid by the Group.

The deferred income amount represented the fair value of the land at the date of acquisition less the total consideration paid by the Group. The purpose of the subsidies are for industrial development in these areas.

31. SHARE CAPITAL

	2007 **HK$'000**	2006 HK$'000
Ordinary shares		
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
477,635,168 (2006: 447,231,302) ordinary shares of HK$0.10 each	**47,764**	44,723

31. SHARE CAPITAL (CONTINUED)

A summary of the transactions involving the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2006		413,983,160	41,398	88,797	130,195
Share options exercised		11,200,000	1,120	7,679	8,799
Warrants exercised		22,048,142	2,205	8,378	10,583
At 31 December 2006 and 1 January 2007		447,231,302	44,723	104,854	149,577
Share options exercised	(a)	4,000,000	400	4,697	5,097
Warrants exercised	(b)	2,773,866	278	5,963	6,241
Placement of shares	(c)	23,630,000	2,363	45,606	47,969
Share issue expenses	(c)	—	—	(1,402)	(1,402)
At 31 December 2007		477,635,168	47,764	159,718	207,482

(a) Share options

The subscription rights amounting to 1,600,000 and 2,400,000 of the two share option schemes adopted were exercised at subscription prices of HK$0.7856 per share and HK$1.60 per share, respectively, resulting in the issuance of a total of 4,000,000 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of HK$5,097,000.

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

(b) Warrants

On 18 April 2007, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 23 May 2007. The bonus warrant issue was made in the proportion of one warrant for every ten ordinary shares of the Company, resulting in 47,421,130 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$2.25 per share, subject to amendment, from 6 June 2007 to 5 June 2009 (both days inclusive). The warrants were issued to the shareholders of the Company on 6 June 2007.

During the year, 2,773,866 warrants were exercised for 2,773,866 shares of HK$0.10 each at a price of HK$2.25 per share, with a total cash consideration, before expenses, of HK$6,241,000.

31. SHARE CAPITAL (CONTINUED)

(c) Shares placement

Pursuant to a placing letter signed on 8 March 2007 between Mr. Chan Ho Sing (the "Chairman") and UOB Kay Hian (Hong Kong) Limited (the "Placing Agent"), the Chairman agreed to sell 23,630,000 ordinary shares of HK$0.10 each of the Company which were beneficially owned by him at that time (the "Placing Shares") and the Placing Agent agreed to place the Placing Shares to Credit Suisse (Hong Kong) Limited (the "Investor") at a price of HK$2.03 per share. This placing is conditional upon several events to occur, which include, among other things, that the Chairman will be allotted 23,630,000 new ordinary shares of HK$0.10 each of the Company at a subscription price of HK$2.03 per share. Pursuant to a subscription letter signed on 8 March 2007 between the Chairman and the Company, the Company agreed to issue 23,630,000 ordinary shares of HK$0.10 each to the Chairman at a price of HK$2.03 per share. The placing and subscription were duly completed on 20 March 2007. The net proceeds from the placing and subscription received by the Company amounted to HK$46,567,000, which were used by the Company in funding its general working capital requirements for business expansion.

32. SHARE OPTION SCHEMES

Old Scheme

On 13 February 1997, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme include any executive director or employee (excluding independent non-executive directors) of the Group. The Old Scheme is effective from 13 February 1997 to 12 February 2007.

The subscription price is determined by the directors and is the higher of a price not less than 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of grant of the options and the nominal value of the shares.

The maximum number of shares on which options may be granted under the Old Scheme may not exceed 10% of the ordinary share capital of the Company in issue from time to time. The offer of a grant of share options may be accepted within 40 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Subsequent to the adoption of the Old Scheme, the Stock Exchange has introduced a number of amendments to the Listing Rules on share option schemes. These new rules came into effect on 1 September 2001. Options granted by the Company under the Old Scheme after 1 September 2001 are subject to the new rules which include, inter alia, the following:

(a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors; and

(c) the exercise price of share options is determined by the directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES (CONTINUED)

Old Scheme (continued)

The following share options were outstanding under the Old Scheme during the year:

	2007 Weighted average exercise price HK$ per share	**2007** Number of options '000	2006 Weighted average exercise price HK$ per share	2006 Number of options '000
At 1 January	**0.7856**	**1,600**	0.7856	12,800
Exercised during the year	**0.7856**	**(1,600)**	0.7856	(11,200)
At 31 December	**—**	**—**	0.7856	1,600

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.214 (2006: HK$1.850).

The exercise price and exercise period of the share options outstanding as at 31 December 2006 were as follows:

Number of options '000	Exercise price* HK$ per share	Exercise period
1,600	0.7856	30-12-97 to 12-2-07

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

New Scheme

On 26 May 2006, the Company adopted a new share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible persons, including employees, directors and other persons as specified under the scheme document, who contribute to the success of the Group's operations.

The New Scheme became effective on 26 May 2006 and will remain in force for 10 years from that date.

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of issued shares from time to time provided that the total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of issued shares on 26 May 2006.

32. SHARE OPTION SCHEMES (CONTINUED)

New Scheme (continued)

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the New Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval of the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value in excess of HK$5 million, is subject to prior approval from shareholders in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer, and (iii) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share options, which must be a trading day.

The fair value of the share options granted in 2006 was HK$8,136,000 of which the Group recognised a share option expense of HK$1,962,000 (2006: HK$6,174,000) in the consolidated income statement during the year ended 31 December 2007.

The following share options were outstanding under the New Scheme during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.6**	**5,600**	—	—
Granted during the year	**—**	**—**	1.6	5,600
Exercised during the year	**1.6**	**(2,400)**	—	—
Forfeited during the year	**1.6**	**(150)**	—	—
At 31 December	**1.6**	**3,050**	1.6	5,600

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.4892.

32. SHARE OPTION SCHEMES (CONTINUED)

New Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options '000	Exercise price* HK$ per share	Exercise period**
1,350	**1.6**	**8-8-06 to 25-5-16**
1,700	**1.6**	**8-8-07 to 25-5-16**
3,050		

2006

Number of options '000	Exercise price* HK$ per share	Exercise period**
3,300	1.6	8-8-06 to 25-5-16
2,300	1.6	8-8-07 to 25-5-16
5,600		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

** The vesting period of the share options is from date of grant until the commencement of the exercise period.

At 31 December 2007, the Company had 3,050,000 share options outstanding under the New Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 3,050,000 additional ordinary shares of the Company and additional share capital of HK$305,000 and share premium of HK$4,575,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,600,000 share options outstanding under the New Scheme, which represented approximately 0.54% of the Company's shares in issue as at that date.

33. RESERVES

Group

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus* HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Hedging reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	104,854	6,174	2,800	6,542	7,094	(785)	37,903	22,304	358,154	545,040
Changes in fair value of available-for-sale investments	—	—	—	—	1,482	—	—	—	—	1,482
Disposal of available-for-sale investments	—	—	—	—	(4,358)	—	—	—	—	(4,358)
Net gain on cash flow hedges	—	—	—	—	—	785	—	—	—	785
Asset revaluation surplus, net	—	—	—	691	—	—	—	—	—	691
Deferred tax debited to equity	—	—	—	(179)	—	—	—	—	—	(179)
Exchange realignment	—	—	—	—	—	—	71,219	—	—	71,219
Total income and expense recognised directly in equity	—	—	—	512	(2,876)	785	71,219	—	—	69,640
Profit for the year	—	—	—	—	—	—	—	—	135,765	135,765
Total income and expense for the year	—	—	—	512	(2,876)	785	71,219	—	135,765	205,405
Share options exercised	8,395	(3,698)	—	—	—	—	—	—	—	4,697
Warrants exercised	5,963	—	—	—	—	—	—	—	—	5,963
Placement of shares	45,606	—	—	—	—	—	—	—	—	45,606
Share issue expenses	(1,402)	—	—	—	—	—	—	—	—	(1,402)
Costs in the granting of share options	—	1,962	—	—	—	—	—	—	—	1,962
Transferred from retained profits	—	—	—	—	—	—	—	12,506	(12,506)	—
Additional 2006 final dividend upon exercise of share options	—	—	—	—	—	—	—	—	(58)	(58)
Interim 2007 dividend	—	—	—	—	—	—	—	—	(14,306)	(14,306)
Proposed final dividend	—	—	—	—	—	—	—	—	(26,295)	(26,295)
At 31 December 2007	163,416	4,438	2,800	7,054	4,218	—	109,122	34,810	440,754	766,612

33. RESERVES (CONTINUED)

Group (continued)

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus* HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Hedging reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	88,797	—	2,800	6,392	1,815	(768)	11,286	15,398	269,018	394,738
Changes in fair value of available-for-sale investments	—	—	—	—	5,602	—	—	—	—	5,602
Disposal of available-for-sale investments	—	—	—	—	(323)	—	—	—	—	(323)
Net loss on cash flow hedges	—	—	—	—	—	(17)	—	—	—	(17)
Asset revaluation surplus	—	—	—	170	—	—	—	—	—	170
Deferred tax debited to equity	—	—	—	(20)	—	—	—	—	—	(20)
Exchange realignment	—	—	—	—	—	—	26,617	—	—	26,617
Total income and expense recognised directly in equity	—	—	—	150	5,279	(17)	26,617	—	—	32,029
Profit for the year	—	—	—	—	—	—	—	—	121,657	121,657
Total income and expense for the year	—	—	—	150	5,279	(17)	26,617	—	121,657	153,686
Share options exercised	7,679	—	—	—	—	—	—	—	—	7,679
Warrants exercised	8,378	—	—	—	—	—	—	—	—	8,378
Costs in the granting of share options	—	6,174	—	—	—	—	—	—	—	6,174
Transferred from retained profits	—	—	—	—	—	—	—	6,906	(6,906)	—
Additional 2005 final dividend upon exercise of share options	—	—	—	—	—	—	—	—	(276)	(276)
Interim 2006 dividend	—	—	—	—	—	—	—	—	(8,799)	(8,799)
Proposed final dividend	—	—	—	—	—	—	—	—	(16,540)	(16,540)
At 31 December 2006	104,854	6,174	2,800	6,542	7,094	(785)	37,903	22,304	358,154	545,040

* The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

\# Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to the PRC reserve funds which are restricted as to use.

33. RESERVES (CONTINUED)

Company

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	88,797	—	63,623	4,681	157,101
Share options exercised	7,679	—	—	—	7,679
Warrants exercised	8,378	—	—	—	8,378
Profit for the year	—	—	—	35,324	35,324
Costs in granting of share options	—	6,174	—	—	6,174
Additional 2005 final dividend upon exercise of share options	—	—	—	(276)	(276)
Interim 2006 dividend	—	—	—	(8,799)	(8,799)
Proposed final dividend	—	—	—	(16,540)	(16,540)
At 31 December 2006 and 1 January 2007	104,854	6,174	63,623	14,390	189,041
Share options exercised	8,395	(3,698)	—	—	4,697
Warrants exercised	5,963	—	—	—	5,963
Placement of shares	45,606	—	—	—	45,606
Share issue expenses	(1,402)	—	—	—	(1,402)
Profit for the year	—	—	—	41,421	41,421
Costs in granting of share options	—	1,962	—	—	1,962
Additional 2006 final dividend upon exercise of share options	—	—	—	(58)	(58)
Interim 2006 dividend	—	—	—	(14,306)	(14,306)
Proposed final dividend	—	—	—	(26,295)	(26,295)
At 31 December 2007	163,416	4,438	63,623	15,152	246,629

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be lapsed.

34. CORPORATE GUARANTEES

The Company provides guarantees to the extent of HK$1,040,792,000 (2006: HK$953,545,000) in respect of banking facilities granted to its subsidiaries, and approximately HK$304,129,000 (2006: HK$243,202,000) of which was utilised at the balance sheet date.

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, factory premises, and warehouses under operating lease arrangements. Leases for office properties, factory premises, and warehouses are negotiated for terms ranging from one to twenty years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Within one year	**26,011**	22,447
In the second to fifth years, inclusive	**12,586**	22,103
After five years	**10,709**	12,643
	49,306	57,193

36. COMMITMENTS

In addition to the operating lease commitment detailed in the note 35 above, the Group had the following capital commitments at the balance sheet date:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
Plant and machinery	**17,923**	13,838	**—**	—
Construction in progress	**10,725**	20,670	**—**	—
	28,648	34,508	**—**	—
Contracted, but not provided for:				
Unpaid capital contributions to subsidiaries	**156,275**	52,824	**—**	—

As at the balance sheet date, the Group and the Company had a capital commitment which is contracted but not provided for amounting to HK$7,476,000 (2006: Nil) in respect of the acquisition of certain assets and liabilities from a third party.

36. COMMITMENTS (CONTINUED)

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for	**—**	6,417

37. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with its jointly-controlled entities:

	Notes	**2007 HK$'000**	2006 HK$'000
Purchases of raw materials	(i)	**11,579**	17,263
Rental expenses	(ii)	**11,110**	—

Notes:

(i) The above purchases of raw materials were carried out according to terms similar to those offered by other suppliers, except that a longer credit period was granted.

(ii) The rental was charged out at rates with mark-to-market yield.

(b) Remuneration for key management personnel (other than directors whose remunerations are disclosed in notes 8 and 9) of the Group:

	2007 HK$'000	2006 HK$'000
Salaries and allowances	**1,869**	7,920
Pension scheme contributions	**18**	60
Costs in granting of share options	**213**	2,988
Total remuneration for key management personnel	**2,100**	10,968

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Foreign currency risk

The Group's reporting currency is Hong Kong dollars and it conducts some of its business transactions in other transactional currencies such as United States dollars, Japanese Yen and Renminbi. Some of its sales proceeds were received in United States dollars and Renminbi and some of the purchases and expenses are conducted in Japanese Yen, Renminbi and United States dollars. As United States dollars are closely pegged with Hong Kong dollars throughout the year under review, so the currency exposure in this respect is considered not significant. About 24% (2006: 21%) of the Group's expenditures are denominated in Renminbi. However, impacts of Renminbi appreciation are alleviated by sales proceeds as about 19% (2006: 14%) of the Group's sales receipts are denominated in Renminbi. On the other hand, about 22% (2006: 31%) of the Group's purchases are denominated in Japanese Yen. Accordingly, the Group uses forward currency contracts to mitigate a proportion of its Renminbi and Japanese Yen exposures with reference to the cash flow forecasts. It is the Group's policy that forward currency contracts were only entered into for cash flow hedging purposes. The Group does not speculate on foreign currencies.

At 31 December 2007, the Group had hedged 9% (2006: 84%) of its foreign currency purchases for which firm commitment existed at the balance sheet date, extending to February 2008.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Japanese Yen and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in Japanese Yen rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2007			
If Hong Kong dollar weakens against Japanese Yen	**5**	**(3,580)**	**(2,646)**
If Hong Kong dollar strengthens against Japanese Yen	**(5)**	**3,580**	**2,646**
2006			
If Hong Kong dollar weakens against Japanese Yen	5	(1,097)	(444)
If Hong Kong dollar strengthens against Japanese Yen	(5)	1,097	444

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase in RMB rate %	Increase in profit before tax HK$'000	Increase in equity HK$'000
2007			
If Hong Kong dollar weakens against RMB	**3**	**13,426**	**13,426**
If Hong Kong dollar weakens against RMB	**5**	**22,376**	**22,376**
2006			
If Hong Kong dollar weakens against RMB	3	19,830	19,830
If Hong Kong dollar weakens against RMB	5	33,049	33,049

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. To manage any exposure arising from the changes in market interest rates, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of the interest rate swaps, approximately 31% (2006: Nil) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

		Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2007					
Hong Kong dollar	**100**	**(4,093)**	**(4,093)**	**(2,200)**	**(2,200)**
Japanese Yen	**100**	**(450)**	**(450)**	**—**	**—**
Hong Kong dollar	**(100)**	**4,599**	**4,599**	**2,706**	**2,706**
Japanese Yen	**(100)**	**450**	**450**	**—**	**—**
2006					
Hong Kong dollar	100	(3,701)	(3,701)	(1,727)	(1,727)
Hong Kong dollar	(100)	3,701	3,701	1,727	1,727

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2007		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	**243,791**	**—**	**243,791**
Other payables and accrued liabilities	**70,902**	**—**	**70,902**
Derivative financial instruments	**2,001**	**—**	**2,001**
Bank loans	**194,487**	**459,814**	**654,301**
Finance lease payables	**254**	**21**	**275**
Dividend payable	**16**	**—**	**16**
	511,451	**459,835**	**971,286**

	2006		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to jointly-controlled entities	1,770	—	1,770
Trade payables	173,036	—	173,036
Other payables and accrued liabilities	61,979	—	61,979
Derivative financial instruments	898	—	898
Bank loans	144,464	225,664	370,128
Finance lease payables	389	333	722
Dividend payable	8	—	8
	382,544	225,997	608,541

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	2007		
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Due to subsidiaries	**14,224**	**—**	**14,224**
Other payables and accrued liabilities	**12,744**	**—**	**12,744**
Bank loans	**58,686**	**361,314**	**420,000**
Dividend payable	**16**	**—**	**16**
	85,670	**361,314**	**446,984**

	2006		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to subsidiaries	5,687	—	5,687
Other payables and accrued liabilities	5,632	—	5,632
Bank loans	96,364	76,364	172,728
Dividend payable	8	—	8
	107,691	76,364	184,055

Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfil its obligation thereby incurring financial loss to the Group. The Group manages the credit risk by setting up a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group has entered into credit insurance contracts with the Hong Kong Export Credit Insurance Corporation and other financial institutions to mitigate the credit risk arising from the receivable balances.

In addition, it is the Group's policy to review regularly the recoverable amount of trade receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group prices its products and services commensurately with the level of risk and secures access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a balance between high shareholder returns that might be possible with high levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose the Group defines net debt as interest-bearing debt (which includes bank loans, and obligations under finance leases), less cash and cash equivalents.

During 2007, the Group's strategy, which remained unchanged from 2006, was to maintain the net debt to equity ratio at the lower end of the range of 30% to 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans	**654,301**	370,128
Finance lease payables	**275**	722
Less: Cash and cash equivalents	**(390,683)**	(90,636)
Net debt	**263,893**	280,214
Total equity	**840,671**	606,303
Net debt to equity ratio	**31.4%**	46.2%

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

The Group has reclassified certain comparative amounts to comfort current year's presentation. Interests in jointly-controlled entities of HK$29,774,000 was reclassified to due from jointly-controlled entities of HK$2,744,000 and loan to a jointly-controlled entity of HK$28,800,000 in the current assets, and due to jointly-controlled entities of HK$1,770,000 in the current liabilities. In addition, due from subsidiaries of HK$368,229,000 and due to subsidiaries of HK$5,687,000 have been reclassified from interests in subsidiaries to conform with the Company's current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 April 2008.

FIVE YEAR FINANCIAL SUMMARY

31 December 2007

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

RESULTS	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,380,334**	1,239,119	1,104,134	870,910	626,453
Profit before tax	**142,933**	135,523	106,730	69,827	42,298
Tax	**(7,168)**	(13,866)	(11,034)	(7,771)	(5,293)
Profit for the year	**135,765**	121,657	95,696	62,056	37,005
Attributable to:					
Equity holders of the Company	**135,765**	121,657	95,696	61,867	36,934
Minority interests	**—**	—	—	189	71
	135,765	121,657	95,696	62,056	37,005

ASSETS, LIABILITIES AND MINORITY INTERESTS	**2007**	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		(Restated)
TOTAL ASSETS	**1,879,024**	1,236,164	1,026,152	755,940	647,885
TOTAL LIABILITIES	**(1,038,353)**	(629,861)	(581,711)	(430,831)	(376,011)
MINORITY INTERESTS	**—**	—	—	—	(9,451)
	840,671	606,303	444,441	325,109	262,423

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